



Distr.
GENERAL

E/1997/65/Add.3
5 June 1997

ORIGINAL: ENGLISH

Substantive session of 1997
Geneva, 30 June-25 July 1997
Item 3 (b) of the provisional agenda*

OPERATIONAL ACTIVITIES OF THE UNITED NATIONS
FOR INTERNATIONAL DEVELOPMENT COOPERATION:
FOLLOW-UP TO POLICY RECOMMENDATIONS OF THE
GENERAL ASSEMBLY

Addendum

Capacity-building

Report of the Secretary-General

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1	3
I. CONTEXT	2 - 4	3
II. EVOLVING CONCEPTS	5 - 15	4
III. NEW DIMENSIONS AND EMERGING AREAS	16 - 39	7
A. Sustainability	17	7
B. Technology	18 - 19	7
C. Trade	20	8
D. South-South cooperation	21	8

* E/1997/100.

CONTENTS (continued)

	<u>Paragraphs</u>	<u>Page</u>
E. Human development	22 - 25	8
F. Peace-building	26 - 29	9
G. Aid optimization	30 - 31	10
H. Governance	32 - 38	11
I. Economic reform	39	13
IV. OPERATIONAL ISSUES	40 - 52	13

INTRODUCTION

1. The General Assembly decided, in paragraph 22 of its resolution 50/120, that capacity-building and its sustainability should continue to be essential to all development activities of the United Nations system at the country level. It requested, in paragraph 29, that the United Nations system focus on enhancing the absorptive capacity in developing countries through capacity-building efforts. Capacity-building has been retained by both the General Assembly and the Economic and Social Council as a focus area for the Council's review of operational activities in 1997 (resolution 50/120, para. 54). Moreover, in accordance with paragraph 56 of the resolution, an impact evaluation will be conducted within the context of the triennial policy review of 1998, with special attention focused on United Nations system support to capacity-building. Extensive consultations have taken place in the preparation of this report within the United Nations system. The Consultative Committee on Programme and Operational Questions, at its session in March 1997, reviewed this subject and provided useful guidelines.¹

I. CONTEXT

2. Building, nurturing and strengthening national capacities in policy-making, planning, programming and implementation are important elements of the global consensus on people-centred development. The emergence of capacity-building as a major dimension of development effort is partly a reflection of a broad conclusion that international development cooperation has not yielded commensurate returns and partly as a response to changing needs. Doubts have been expressed over the sustainability of capacities built through technical cooperation and concerns that some attendant activities have had even negative effects on long-term capacity-building.

3. Capacity-building is increasingly seen as the missing link in development and the key to break the vicious cycle of mass poverty, population explosion, environmental degradation and political instability. The need for concerted capacity-building has become even more - not less - important in the current understanding of approaches that emphasize globalization, liberalization, marketization and political pluralism. Harmonizing them with national contexts and local cultures requires human and organizational capacities that many traditional and emerging societies lack. The growing country specificity of development needs not only call for a bottom-up approach to development but also make capacity-building a prerequisite to sustainable development.

4. While many countries can identify a development problem - poverty, illiteracy, ill health, low or negative rates of growth - many are deficient in capabilities to address a problem with an appropriate policy and then transform the policy into a practical programme. Many lack the capacity to articulate a long-term vision, an integrated policy framework and coherent programming or lack the capacity for policy reconciliation between sustained economic growth and sustainable development or between structural adjustment and social stability. Many developing societies, particularly the least developed ones, do not have the capacity to coordinate development aid and assert national

leadership, resulting in donor activism and recipient passivity. While most are aware that the roles and rules of state intervention in a market economy need to be redefined, they do not have the needed know-how. Capacity-building is taking place under sub-optimal scenarios and imperfect conditions. These are sometimes seen as an absence of absorptive capacity, which, in turn, is used as a reason for limiting external or underutilized aid, contributing to the vicious circle of underdevelopment, weak absorptive capacity and aid fatigue.

II. EVOLVING CONCEPTS

5. Capacity-building has acquired added legitimacy and enhanced importance in development theory in the past decade. The theoretical framework of capacity-building, long subsumed in technical cooperation, has evolved and acquired an autonomy and legitimacy of its own. While there is near unanimity that capacity-building should be the central mission of development cooperation, there are widely differing perceptions of what it means and prescriptions on what needs to be done. It has become, as it were, an umbrella concept, encompassing a broad range of concepts, ranging from synonymy with development itself to training of human resources, from governance to project execution and from macroeconomic management to conflict resolution. By its very nature, capacity-building has to be evolving and elastic and cannot be encapsulated or strait-jacketed into a stereotype. It is, nonetheless, important to reach a common understanding of its essence and content, if it is to become an effective instrument of development.

6. Among the questions that may need further clarification are: What are the linkages between capacity-building and absorptive capacity? Is capacity-building the same as institution-building and human resource development? What is capacity-building in relation to capacity? Can capacity-building be achieved in a narrow, technical area? What are the global characteristics of capacity-building? Is sustainability of development effort a key standard for achieving capacity-building? How critical are science-based technologies to capacity-building? Should it be exclusively indigenous and in situ? What is the most effective role and relevance of external development partners? Is there a division of labour among development partners? Should the State be the sole engine of national capacity-building? How should the civil society and non-State actors be involved? How should the right balance be struck between shareholders (the State and external partners) and stake holders (the civil society and the public at large)? Is there any implicit trade-off between capacity-building and rapid economic growth? Is there any room for capacity-building in conflict-prone and war-torn societies? Is the restoration of normalcy and establishment of the structures of civil society a precondition? Should there be, or can there be, any prerequisites and preconditions for capacity-building?

7. Technical cooperation has been an important focus of international development cooperation, providing the means and resources for developing countries to achieve self-reliance. The record of technical cooperation is both impressive and uneven. It has helped to lift millions out of poverty but, at the same time, more people are living in poverty than before - 300 million more between 1990 and 1995. There is a growing concern that conventional development

processes have created only limited national expertise and institutional capacity. Criticism is directed at:

- (a) The excessive emphasis on short-term projects with finite impact rather than long-term development of human capacity;
- (b) Support to Governments rather than towards civil societies;
- (c) Excessive dependency on foreign experts, resulting in insufficient local ownership and management of the development process;
- (d) Development of individual capacities with insufficient regard to the organizational or institutional context.

Technical cooperation is often poorly integrated with national development programmes and poorly coordinated, as a result of being excessively donor-driven. It is often administered as a package, consisting of foreign experts, external equipment and exogenous technologies with insufficient local participation. These negative elements inhibit the capacity of recipient countries to manage technical cooperation within a coherent national development framework.

8. The term "capacity" broadly refers to capability or ability of individuals and institutions to perform assigned functions efficiently, effectively and sustainably. Capacity-building refers to the process of enhancing individual skills or strengthening the competence of an organization or set of organizations to undertake specific tasks. In essence, it is the nurturing of the abilities needed by a society to take control of its destiny and direct and manage the development process, to make and carry out informed choices. A vision of development and of the kind of society to be nurtured is a prerequisite. Just as capacities differ from country to country and from region to region, they also differ from issue to issue. As noted above, the contours of capacity-building include capacity-strengthening, capacity development, capacity assessment, capacity enrichment and sustenance. Each of these elements is linked to the others and yet autonomous, depending on the context and content of a specific development situation.

9. While technical cooperation is, at best, enabling in its focus, the essence of capacity-building is empowerment and liberating people's creative energies to seize the opportunities open to them. It is self-liquidating but in a manner that does not leave behind voids and wastelands. It is designed to not only ameliorate individual lives but also enable them fully to participate in the life of a society.

10. Capacity-building is also a bridge between potential and performance, and between domestic processes and development aid. Capacity-building extends to new areas, new actors and new dimensions. Effective capacity-building is usually based on a human-centred notion of participatory development, where individuals and organizations whose capacities need to be strengthened are fully involved in the capacity-building process in all phases. Consensus-building should become an integral part of capacity-building.

11. This participatory approach requires a dialogue with beneficiaries and target population to ensure awareness of their own responsibility in identifying problems, finding solutions, establishing goals, learning concepts and methods, undertaking the necessary transformations to absorb new solutions and controlling the impact of their actions. In so doing, special attention has to be given to empowering the capacities of hitherto neglected sectors and actors, particularly women, and enhancing their access to productive assets. If properly nurtured, their creative energies can make a major development difference. It broadens the ambit beyond traditional institution-building to include sustainable human development; a mutually reinforcing relationship is required.

12. Capacity-building seeks to achieve a permanent transfusion of skills and know-how. It recognizes the importance not only of individual or institutional competence but also of a conducive policy and normative framework, within which they can contribute to the development process. This has major implications on the ways operational activities for development are conceived, designed, implemented and monitored. Attention needs to be paid not only to national capacity-building but also to community capacity-building.

13. The specificity of country contexts and varying perceptions on the role of external aid in the development process call for a flexible and pragmatic approach. Externally assisted capacity-building has to be carried out differently at different levels of development and taking into account the regional dimension. It is sensitive to the context, building on national comparative advantages and helping countries to overcome their areas of weakness and vulnerability. Capacity-development often starts with an assessment of current needs, which attempts to identify current level of capacity and identify strengths, weaknesses and gaps. While significant progress has been made in carrying out systematic capacity inventories in relation to requirements, much work remains, including the evolution of a common understanding in the development community based on experience and lessons learnt.

14. The scope and nature of external cooperation in capacity-building needs rethinking. While the points of entry into traditional technical cooperation are well delineated, they are less clear in capacity-building. Almost every country has internal capacities required to organize their societies and orchestrate their economic affairs. Externally aided capacity-development has to be more selective and calibrated than technical cooperation. The United Nations development system is well placed to play a leadership role in capacity-development, with a targeted and selective approach.

15. Although capacity-building has to be undertaken primarily in a country context, there is an emerging regional dimension that requires attention. For example, while every African country calls for specificity, there are also many commonalities among 53 African countries. Among these are human resource development, particularly in advanced science and applied technology, infrastructure development and environmental protection. A regional and a sub-regional approach to capacity-building in certain areas and issues may be more efficient and effective than an exclusive country focus. These issues are discussed at greater length in the following sections of the report.

III. NEW DIMENSIONS AND EMERGING AREAS

16. The changing context and new needs have highlighted new dimensions and emerging issues that have to be reconciled with, and integrated into, the concept and contours of capacity-building. Although many of them have been on the global agenda for some time, they are often dealt with in relative isolation from each other and outside the conceptual and operational ambit of capacity-building. It is necessary to deal with them in an integral and holistic manner and establish the interlinkages and priorities.

A. Sustainability

17. Traditional technical assistance is delivered as packaged projects with minimal regard to their sustainability after completion. The unsustainability of many development efforts is a prime reason for diminished effectiveness and wasted resources. An essential feature of capacity-building is sustainability of development activities, including maintenance and modernization of institutions and infrastructure. While the importance of sustainability is generally accepted in the development community, it is usually pursued outside the parameters of the project cycle. It should be built into the mainstream of programme/project identification, formulation, execution, monitoring and evaluation. "What happens after a project/programme is terminated and how and by whom it is continued and in what form should be integral variables even at the embryonic stages of formulation. The extent to which local resources and skills are utilized is another critical criterium of sustainability. Capacities created or acquired can atrophy without planned retention and renewal. Absorption and diffusion into a national context and culture require different capacities and skills than those needed for development and transfer, which are more neutral, replicable and less country specific.

B. Technology

18. The sweep and velocity of technological change, triggered by transforming technologies, particularly information and communications, have altered the dynamics of development. Many developing countries suffer from greater technological dependence than ever. Although some have succeeded in establishing science and technology infrastructures, few have been able to acquire the endogenous capacity to choose, adopt, apply, generate, diffuse and blend technologies. Many have established science and technology institutions but only a handful have acquired science and technology capacity; some have research and development capacity but not science and technology capacity. Very few have been successful in injecting a technological dimension into the mainstream of macroeconomic management.

19. The capacity to ensure policy coherence between technology and economic policies and to orchestrate their interplay is an important aspect of endogenous capacity-building. It encompasses the ability to infuse modern science into traditional technologies and to blend traditional techniques of production with emerging science-based technologies. Technological capacity-building includes the skills and capabilities not only to formulate coherent science and

technology policies but also to adapt and integrate them into the new international environment, along with other policies, such as trade, education and industrialization.

C. Trade

20. In an increasingly integrated global economy, capacities to seize trade opportunities and to overcome trade obstacles have become critical economic issues. Many developing countries, particularly the low-income and least developed ones, are weak in designing policy packages that would enable them to use international trade as an effective tool of sustained economic growth and sustainable development. With outward-oriented and liberal trade regimes, developing countries are struggling to enhance their minuscule share in global trade. Multilateral development institutions, such as the United Nations, are particularly suitable for providing strategic assistance to developing countries in maximizing their trade opportunities.

D. South/South cooperation

21. Capacity-building is central to closer South/South cooperation. No other area is more suitable, more promising and potentially more beneficial in economic pay-offs. As South/South cooperation moves to practical areas, a litmus test is how developing countries support, share and strengthen each others' capacities to control their respective development processes. The adequacy of existing modalities like economic cooperation among developing countries, technical cooperation and regional and subregional institutions and the need for new modalities more suitable for shared capacity-building need to be further explored. The extent to which capacity-building and strengthening can be integrated with regional and subregional approaches has to be more systematically explored in consultation with regional entities, such as regional commissions. The conclusions and recommendations of the High-level Committee on the Review of Technical Cooperation among Developing Countries² at its tenth session, which have an important bearing on this subject, are separately brought to the attention of the Council.

E. Human development

22. The human dimension is at the centre of capacity-building. A human being is not only a resource but also the source and the ultimate beneficiary of development. The annual Human Development Report of the United Nations Development Programme has been useful in bringing this point of view to the forefront of international attention. For sustained economic growth and sustainable development, a critical mass is necessary not only in physical infrastructure but also in an educated and skilled workforce. The place of education in development cooperation, long an implicit component, has become stronger in today's knowledge of intensive global economy.

23. Although the importance of education, from the primary stage to university, is widely accepted as critical for sustained development, many developing

societies continue to suffer from a growing mismatch between the skills generated by the educational system and those that are needed by the productive system. The educated workforce and priority needs of development are rarely congruent, resulting in unemployment, migration, and serious gaps in fulfilling development demands. The impact of information technologies on education needs renewed attention. New technologies are new tools and, if properly targeted, can promote effective learning and provide pupils with access to knowledge and skills not available in their local environment and habitat. They can also help in reaching the uneducated and the vast numbers of excluded people in the world.

24. A different dimension of human development is human migration. The contemporary global scene is characterized by massive human migration from villages to cities and across countries and continents in quest of peace and prosperity. The poor and the rich alike are willing and able to emigrate to distant lands - albeit for different reasons - straining the already stretched civic infrastructure. The new diaspora, overseas nationals, constitute an immense economic resource. The exodus of educated and professional classes - the most critical development resource - from poor to rich countries poses a particular challenge to policy makers. A problem confronting some countries is the exodus of over 75 per cent of their technical personnel, particularly their engineering graduates. The combination of poor prospects at home and the lure of good life abroad becomes irresistible.

25. The capacity to convert what is now a debilitating drain into an invigorating inflow and to harness the talents of migrants without stifling mobility and creativity needs to be furthered. Policies to reduce the degree of loss of the highly educated as a result of the international "brain drain" or to encourage emigrants to return could make a significant contribution to the development of capacity. Policies and schemes may need to be initiated at both the national and global levels to transform a one-way outflow into a two-way flow. The cooperation of Governments and also of non-governmental institutions, such as universities, industries and private enterprises, will be required. This can be achieved through greater use of modalities like twinning, linking institutions in different countries, South/South and North/South, and the expansion of existing, successful programmes, that facilitate the return of skilled nationals and their reintegration into their country.

F. Peace-building

26. The source and the origin of conflict are now more diffused than in the past. They include ethnic, religious and tribal factors, geographical disputes, control of minerals and water, and search for shared identity. Underlying many of these are mass poverty and economic despair. Peace-building comprises integrated and coordinated actions to ensure that conflict is prevented or resolved on a lasting basis and that the process of long-term development is not interrupted, or is resumed as early as possible. The dimension of peace-building has to be integrated into the concept of capacity-building.

27. The relationship between political/ethnic conflict, relief and reconstruction and development is receiving intense attention (see General Assembly resolution 50/120, para. 51). Although it was long considered that a

/...

precondition of development was stability and peace and that external aid should be confined to humanitarian relief, experience gained in recent years has shown that development is not only compatible with, but even necessary in, politically volatile situations. Preemptive development is an important part of preventive diplomacy and conflict management. An emerging challenge is how to translate these ideas into action and how to put in place a policy package that operationalizes the concept. Most countries do not have the integrated decision-making, design and operational systems that are needed; where they exist, they are extremely weak.

28. The increase in humanitarian emergencies has highlighted the need to extend the frontiers of capacity-building in another direction: assisting national Governments to enhance their capacities to deal with natural and complex emergencies, which include emergency preparedness and the development of contingency plans through cooperative and coordinated efforts. In many disaster-prone countries, the fruits of painstaking economic growth have been set at naught by a single cataclysmic event. Modern technologies and acquired experience make it possible better to prepare for natural disasters and to mitigate their destructive effects. Disaster preparedness, relief, prevention and management capacities are increasingly seen as linked to the mainstream of development capacities. Although immediate relief is the focus of meeting humanitarian emergencies, it is now recognized that relief efforts should also contribute to long-term development.

29. The Administrative Committee on Coordination (ACC), at its session in April 1997, reviewed the concept of peace-building and the work of the United Nations system in that area. It stressed the need to strengthen the system's overall capacity, *inter alia*, by establishing interlinkages between its analytical capacities and operational activities in the political, peace-building, humanitarian and development fields. To that end, the substantive capacities for analysing emerging situations and scenario-building should be mobilized. ACC agreed that relief and development programmes must overcome existing divisions and, to that end, a strategic framework should be developed, in consultation with the concerned countries. The proposed framework should be tested in two countries and a working group be established for each country, to develop appropriate arrangements.

G. Aid optimization

30. Although official development assistance (ODA), both as a percentage and in absolute terms, has been stagnant and even regressing in recent years, there is no reduction in the number of development actors, particularly external, at the country level. Despite the emphasis on donor aid coordination, too often donors concentrate on their own projects and programmes, making national leadership indispensable. That need for leadership has become even more important with the introduction of modalities by the General Assembly, such as the programme approach, which are predicated on national ownership and leadership and envisage coalescing of funds from different sources. Still, many Governments lack the know-how and skills required to integrate activities with the same substantive scope but funded from a variety of sources and to fuse different inputs into a single programme. Externally supported aid-coordination mechanisms like the

/...

UNDP round tables and the National Technical Cooperation Assessment and Programmes (NaTCAP) continue to require strengthened national leadership.

31. Supporting and stimulating national capacities for aid coordination have long been on the international agenda. A major flaw has been to treat external resources independently of the domestic mainstream on the grounds that the deployment of the latter is the exclusive prerogative of the concerned Governments and that aid dollars are accountable to their respective legislatures. The recent shift towards national ownership, national management and national execution, accepted by donor and recipient countries alike, should assuage some of these concerns and permit an integrated look at all resources targeted for the same purpose under national oversight. Effective aid coordination is best accomplished through a thematic or programme approach, involving integration of external inputs into a national programme. It can achieve not only the donor's objective of cost-effectiveness but also the overall objective of impact enhancement. Aid-coordination capacity includes capacity for aid monitoring and evaluation. The monitoring and the evaluation of programmes and projects that are funded by more than one source call for special skills. The principles and criteria for multifunded programmes with several components/projects require new thinking.

H. Governance

1. State

32. Good governance and capable government are essential to stability and development and to the process of economic reform. There is a growing consensus that state intervention in development should be strategic, not pervasive, and selective, not intrusive. An effective government is central to the creation and conduct of even market-oriented economies. Experience shows that an enduring public policy cannot be pursued without adequate governance capacity. While there is no commonly accepted definition of what good governance, or "capable" government, means in operational terms, at the very least it signifies the existence of a stable and relatively open and transparent political framework that is representative of, and responsive to, the will of the people. Capacity-building, in this respect, includes political institution-building and an infrastructure that enables the voice of the people to prevail in the choice, conduct and recall of their representatives and an administrative culture that provides for an apolitical civil service. While bureaucracy has often been derided, there is growing evidence that an efficient civil service is essential and that the nurturing of management skills is needed at all levels. International organizations are attaching growing importance to this realization, and civil service reform is now high in international development cooperation. The United Nations, the World Bank and UNDP, among others, are engaged in this effort.

33. The international community is being called upon to help countries that have moved away from repressive regimes towards representative ones to create and strengthen the policy conditions and institutional context of good governance. These include activities such as conducting elections, creating an independent judiciary, streamlining the civil service and training the police.

/...

The United Nations has been engaged in these tasks as a part of its post-conflict peace-building work and renewal and rehabilitation of failed States. Regional organizations and non-governmental agencies are also being asked to assist. Capacity-building is often construed exclusively in relation to central or federal governance, yet it has important bearing on community development and municipal management. Decentralization and the devolution of decision-making cannot be effective without commensurate capacity-building at the local and community levels.

34. Good governance requires that systemic corruption be eliminated. The Organisation for Economic Cooperation and Development (OECD) has urged its member States to stop allowing bribes to be tax deductible. The World Trade Organization (WTO) has begun discussions on making transparency standard in permanent procurement practices. The World Bank has recently set up new procurement guidelines which permit cancellation of part of a loan if it is determined that corrupt or fraudulent practices were involved and to bar guilty companies from bidding on future projects. Transparency International, an anti-corruption outfit, now has chapters in more than 50 countries. Good governance is synonymous with sound development management and how a society's comparative advantages are harnessed for the public good. Corruption raises the cost of development projects. There is a widespread sense that corruption is not only more pervasive and intrusive than before, but that, in some countries, democratization has increased it, along with and, apparently, as a result of economic reforms. The focus of corruption is no longer confined to the State: it extends to the civil society. But the integration of anti-corruption measures into the governance agenda of a development agency has to be pursued with caution.

2. Civil society

35. The important contribution of civil society to economic growth and to social stability is widely acknowledged. The international development agencies are involving non-State actors as the conduits and agents of aid. Consequently, the principles of good governance become equally applicable to civil society.

36. The private sector in many developing societies is in a state of transformation. Family-owned businesses are being professionalized, sleeping shareholders and dormant directors are waking up and asserting their rights. Profitability and good governance are distinct and do not necessarily follow each other. Demands for greater transparency, accountability and accounting integrity are being voiced. International funding agencies, such as the World Bank, the International Finance Corporation (IFC) and regional development banks are directly providing funds to the corporate sector and intend to increase such lending. It is in this framework that the question of extending the principles of good governance to the corporate sector need to be considered.

37. A relatively neglected part of civil society is the cooperative sector which offers a middle way between the inefficient public sector and profit-centred private sector. It combines public accountability, non-bureaucratic functioning and self-reliance. The cooperative movement has grown in developing societies. As part of a new development compact, the international community

and multilateral institutions should support and encourage the movement. Most cooperatives are not only starved for funds but more importantly, lack managerial and organizational capacities. A capable cooperative sector can complement a capable government and a capable private sector.

38. The number of non-governmental organizations and the range of their activities have grown rapidly. The proportion of development aid channelled through non-governmental organizations increased from 0.7 per cent in 1975 to 3.6 per cent in 1985 and to at least 5 per cent in 1993-1994, excluding multilateral aid. The number of non-governmental organizations in developing countries has also increased exponentially. If corporations are becoming socially sensitized, non-governmental organizations, the traditional non-profit-making units, are being corporatized. As the State increasingly divests itself of welfare functions, non-governmental organizations are engaged in grass-roots work in areas like education and health. They receive their funds from external agencies or indirectly from their own Governments. In many cases, the funds received and the activities undertaken by them exceed their capacities and skills. Funding being scarce, few, if any, can turn down financial support on the grounds that they have no capacity. If appropriate capacities are not built in the non-State constituencies and if more and more resources are channelled through the non-governmental organizations the result could be misuse, waste or an aid backlash. This task has to be undertaken, bearing in mind the sensitivities of Governments. International organizations are paying particular heed to this aspect in the design of their development agendas.

I. Economic reform

39. Almost all developing countries and countries in transition have introduced reforms in their economies with a two-pronged agenda: revitalizing stagnant economies; and joining the global economy. They are trying to modernize without losing their moorings and join the global economy without losing control over their domestic economies. This is a complex process that calls for considerable sophistication and skills which many lack, forcing them to seek external help, particularly from the Bretton Woods institutions. The capacity-building dimension of economic reform needs particular attention from the United Nations. The mix of economic and egalitarian policies and capacities which is necessary to induce adjustment with a human face and social justice with economic growth is weak in many countries. The United Nations has a vital catalytic and coordinating role to play, and its own capacity to play the role needs continuous attention.

IV. OPERATIONAL ISSUES

40. While the need to shift or enlarge the substantive scope of development efforts from economic cooperation to capacity-building is widely accepted, much of the supporting infrastructure has remained unchanged. A recent study noted that bringing the concept to the forefront of aid has proved to be tougher than expected. Among the difficulties are:

- (a) Uncertainty about the concept and how to measure it;
- (b) A confusing array of processes and techniques;
- (c) A wide gap between prescriptions and practice.

Despite daunting odds, many donor agencies and the United Nations system have taken several steps forward. The effort is twofold: to obviate the flaws and weaknesses of technical cooperation, and to adapt to changing times and new requirements. Not all forms of technical cooperation, albeit highly valued by national authorities, are necessarily conducive to, and compatible with, the development of national capacity. While technical cooperation that provides direct support or fills gaps may be justifiable in certain circumstances, the kind that inadvertently undermines capacities has to be avoided. The new needs are known. The challenge is how to transform an entrenched system built over half a century.

Recommendation 1

41. External assistance for developing national capacity has to be far more selective, sensitive and has to be better internalized and integrated into domestic processes and move away from short-term results and narrow accountability. A new profile is needed in the presence and representation of external development partners. National capacities to monitor and evaluate development activities have to be strengthened and relevant criteria designed.

42. International organizations are operationalizing capacity-building in the design and delivery of their development assistance. The World Bank recently issued a new operational directive that classifies technical cooperation by outcomes, such as policy support, policy preparation and implementation support and institutional development. The Bank, with UNDP and the African Development Bank, has launched an African capacity-building initiative to assist African countries to build capacities in policy analysis and development management in sub-Saharan Africa. It aims to build a critical mass of African professional policy analysts and economic managers. The African Capacity-Building Fund is being supported by donors. The lessons from the current pilot phase should provide useful guidance on such issues as: Have the capacities of sub-Saharan Africa, the poorest region in the world, been enhanced in policy analysis and development management, two of the most sophisticated skills? Are these the right points of external entry into capacity-building? Are they sustained and sustainable?

Recommendation 2

43. The United Nations development system bears a particular responsibility as pacesetter and catalyst. There is need to establish system-wide guidelines and criteria that could be used as benchmarks and points of reference by the system (see General Assembly resolution 50/120, para. 26). In accordance with resolution 50/120, capacity-building should remain an essential part of operational activities of the United Nations system at the country level, focusing on strengthening national capacity in policy and programme formulation,

development management, planning and implementation, coordination, monitoring and evaluation.

44. Organizations of the United Nations system are introducing policies and measures to focus more sharply their country-level presence and programming on capacity-building and are shifting from direct programme/project support to fulfilling long-term capacity needs. Agenda 21 laid particular stress on this. Experience gained from Collaborative Research in the Economics of Environment and Development (CREED), established in 1993, illustrates, among other things, the complexity of operationalizing capacity-strengthening. One important conclusion is that capacity-strengthening is not an automatic by-product of collaborative research. Capacity 21, an outgrowth of the United Nations Conference on Environment and Development,³ assists developing countries build their capacities to integrate the principles of Agenda 21 into national plans and programmes. A UNDP trust fund of about \$57 million, with a small but significant cost-sharing with non-governmental organizations, supports projects that are country-driven and nationally executed. Its operational scope covers about 60 countries. In June 1996, an independent review of Capacity 21 concluded that it had made significant progress in the incorporation of sustainable development principles into development planning processes in most of the 40 countries in which it was operational. It is important to note that its all-encompassing scope, focus on environment, and narrow resource base - a target of \$500 million - do not enable Capacity 21 to cover the gamut of capacity-building needs, nor was it intended to do so.

45. United Nations funds and programmes are at the vanguard of the effort to shift from traditional technical assistance to a new mode of capacity-building. Thus, the Executive Board of UNDP, through its decision 94/14, decided that the overall mission of UNDP was to assist programme countries to realize sustainable human development in line with their national development programmes and priorities. A recent review of the approach and operations of the United Nations Children's Fund (UNICEF) noted, among other things, that the integration of domestic systems and policies with UNICEF-supported programmes might lead to the distortion of the policy and programme priorities of national institutions and siphon off the most qualified and experienced staff from other important activities. Its capacity-building intervention strategy should, *inter alia*, make more conscious decisions in the trade-offs between long-term capacity-building and the achievement of operational targets. Programming decentralization should be enhanced at the field level, since capacity-building requires a country-based choice of partners. The United Nations Population Fund (UNFPA) is putting particular stress on sustainability of family planning programmes which, among other things, require increased understanding of the role of both public and private sectors, in formulating policies and designing family planning services jointly with donors and Governments.

46. The specialized agencies of the United Nations system continue to focus their country-level activities, particularly technical cooperation, on development of national expertise and capability. For example, the work of the World Health Organization (WHO) towards capacity-building at the country level covers four strategic areas, including policy formulation and implementation and health system management, and takes account of national needs and expertise. Another agency whose work has important bearing on capacity-building in

education is the United Nations Educational, Scientific and Cultural Organization. The United Nations Industrial Development Organization (UNIDO) clearly differentiates between capacity-building and direct support projects.

Recommendation 3

47. An enduring transition from traditional technical assistance to capacity-building may require more fundamental changes in the way operational activities are conceived and carried out.

48. The General Assembly, as part of the overall reform process, has taken important decisions in the past six years on operational activities in the United Nations system, where the principal aim is to enhance the relevance and responsiveness of those activities to national needs and to integrate them into national development. It introduced innovative mechanisms, such as the country strategy note, enhanced policy dialogue, the programme approach and national execution. While all these mechanisms are intended to support national ownership and integration into the development process, their effective implementation requires commensurate capacity-building, involving areas such as planning, prioritization, programming and management system. Has the United Nations system, in the past, introduced changes at the country level without necessary policy changes at Headquarters, casting an unfair burden on the field level? Inadequacies of policy development support at the global level may be an important reason for tardy or flawed progress in reform. Further changes may be needed in planning and programming approaches at the country level by placing emphasis on helping countries to formulate coherent national programmes.

Recommendation 4

49. In order for capacity-building to become a more focused mission of the United Nations development system, existing policies and procedures have to be critically reviewed. The consistency and compatibility of extant policies with capacity-building objectives have to be addressed. Changing the contribution of the United Nations system from self-driven programmes and projects to calibrated inputs into national programmes will require a review of the entire project cycle and programming culture.

50. The capacity-building effort of the United Nations system can only be sustained through an interactive in situ process, requiring deep familiarity with local customs and culture and the ability to draw on local skills, technologies and strengths. A country-specific process requires country-level focus and control in the United Nations system. While decentralization and delegation are important to the entire work of the system, they are critical to capacity-building. While empowerment is crucial to any people-centred process, it is the life-blood of the capacity-building work of the United Nations system.

51. This will not be an easy task. The policies and procedures of the United Nations development system in the design and delivery of its operational activities have evolved over the past 50 years. In recent years, the system in the field, under the leadership of the resident coordinator system, has been moving towards redefining much of its cooperation and nearly all of its technical cooperation in terms of national capacity-building, in such areas as

governance, human resources development, institution-building and bringing women into the mainstream of socio-economic life. As an offshoot of its basic construct and culture, much of the capacity-building work of United Nations system is United Nations-centred, mandate-driven, event-tenured and tailored to conform to the procedures and requirements of the concerned organizations.

Recommendation 5

52. The wide range of activities now coming under the rubric of capacity-building at the field level highlights the need for greater clarity and common understanding on this subject. Field staff should be supported with the required resources and empowered to do the job. The efforts of the United Nations system in capacity-building are largely uncoordinated and mainly focused on their counterparts. What is needed is a more system-wide and systemic approach. A political push and impulse from the intergovernmental level, especially in the framework of the 1998 triennial comprehensive policy review of operational activities, will be indispensable for leading this effort.

Notes

¹ See ACC/1997/7.

² See A/52/39.

³ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (United Nations publication, Sales No. E.93.I.8 and Corrigendum).
